

Formal strategic planning: annual raindance or wheel of success?

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- *The findings from the research presented in this paper indicate that strategic planning is now an established management tool with over half of all small and medium size enterprises (SMEs) engaging in formal strategic planning.*
- *However, some SMEs fail to consider or include some vital components in their strategic plans, leading to the conclusion that many formal strategic plans are little more than a paper exercise.*
- *From an operational perspective, formal strategic planning firms place a higher emphasis on the attributes of strategic planning. However, there are no significant differences on the barriers to strategy implementation in formal or non-formal planning firms.*

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Introduction

The contemporary business environment is characterized by technological change, deregulation, globalization, fragmented customer tastes, discernible and demanding customers, intense rivalry, rapid competitive moves and new business models that all contribute to structural disequilibrium and uncertainty (Bettis and Hitt, 1995). According to Gavetti *et al.* (2005), strategy-making is most critical in times of change and in unfamiliar environments. Accordingly, one would expect strategy-making to be extensively practiced. The empirical evidence, primarily from among large US organizations, suggests that many firms do use strategic planning (Rigby, 2001; Shrader *et al.*, 2004). On the other hand, it is more difficult to locate recent evidence from

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the UK, particularly among small and medium size manufacturing enterprises. Gavetti *et al.* (2005) also state that 'Strategy makers have two choices: identify a viable new strategic position or face the potential demise of their enterprise'. This implies that managers are aware of the processes involved and have the capabilities to identify and formulate a viable new strategic position. However, a number of questions remain. For example, does the degree of formality of strategic planning and close adherence to normative strategic planning help? The empirical evidence is unclear. For example, McKiernan and Morris (1994) detected no positive relationship between the formality of planning and overall performance,

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whilst Kargar (1996) detected a positive relationship between the two.

Strategy theorists offer arguments in support of strategic planning as well as arguments against it. Some scholars argue that formal strategy-making processes offer management a robust tool to navigate effectively in an increasingly turbulent and competitive business environment (Timmons *et al.*, 1987; Robinson and Pearce, 1988; Armstrong, 1982). Other scholars question the usefulness of formal strategic planning, particularly in uncertain environments (Mintzberg *et al.*, 1998; Hamel, 1996), and challenge the assumption that firms can effectively map out the future by largely drawing on the past in a formalized manner. Quinn, cited in Peters (1994), eloquently encapsulates the arguments against the use of formal strategic planning by saying that '*A good deal of corporate planning . . . is like a ritual rain dance. It has no effect on the weather that follows but those who engage in it think it does*'.

Nevertheless, the points made by Gavetti *et al.* (2005) enjoy a broad degree of support among academics and practitioners. There is, however, less agreement on what constitutes an appropriate strategy-making process. Both theoretical arguments and empirical evidence offer support in favour of formal strategic planning and against it. The ambiguity and lack of current evidence from the UK suggest that it is important from both academic and practical points of view to examine the following five key research questions:

- (a) To what extent is formal strategic planning used by small and medium size manufacturing firms?
- (b) To what extent are normative elements of formal strategic planning used by firms deploying formal strategic planning?
- (c) Are there any differences between formal and non-formal planners' emphasis on a series of key internal and external factors considered important in shaping strategy?
- (d) Are there any differences in the barriers to implementation of formally and informally derived strategies?

- (e) Are there differences in performance between manufacturing SMEs deploying formal and informal strategic planning?

The paper makes several contributions to the strategic management literature and practice. It provides contemporary evidence on the degree of diffusion of strategic planning and the nature of the planning practice among a group of firms hitherto under-researched. It also supplements the recent empirical evidence from the USA (Shrader *et al.*, 2004). Furthermore, it highlights the differences between formal and non-formal planners in terms of the significance they place on the determinants of strategy and the difficulties encountered in implementing strategic change. It also sheds empirical light on the value of formal strategic planning as either a 'raindance' or a 'wheel of success'. In this paper, unlike many previous studies, success is assessed in both financial and non-financial terms. A better understanding is important to practitioners because formal strategic planning consumes valuable resources.

This paper is structured as follows. First, strategic planning is described. Second, a brief outline of strategic planning formality is provided. Third, the methodology outlines the conduct of the research. Fourth, the analysis is depicted and interpreted. Finally, the paper explores how strategic planning formality can impact on the achievement of performance outcomes.

Strategic planning

Despite practitioners' increasing interest in strategic thinking, there is no consensus on a definition of strategy. The absence of definitional consistency is a source of both theoretical and practical pluralism. **Table 1** offers a number of definitions propounded by leading strategy thinkers.

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Table 1. Selected definitions of strategy

Source	Definition
Chandler (1962)	The determination of the basic long-term goals and objectives of an enterprise, and the adoption of a course of action and the allocation of resources necessary to carry out these goals.
Andrews (1971)	The pattern of decisions in a company that determines and reveals its objectives, purpose or goals, produces the principal policies and plans for achieving these goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers and communities.
Hofer and Schendel (1978)	The fundamental pattern of present and planned resource deployment and environmental interactions that indicate how the organization will achieve its objectives.
Robinson and Pearce (1983)	Large scale, future-oriented plans for interacting with the competitive environment to optimize the achievement of the organization's objectives.
Wright <i>et al.</i> (1992)	Top management's plans to attain outcomes consistent with the organization's missions and goals.
Porter (1996)	Strategy is the creation of a unique and valuable position, involving a different set of activities.
Crittenden and Crittenden (2000)	Strategic planning attempts to systematize the processes that enable an organization to attain its goals and objectives.
Farjoun (2002)	The planned or actual co-ordination of the firm's major goals and actions, in time and space, that continuously co-align the firm with its environment.

Table 2. Normative definitions of strategic planning

Source	Definition
Grinyer and Norburn (1975)	The formal (preordained flow and processing of information), systematic and regular approaches to formulating the pattern of objectives, major policies and plans of enterprise in so far as they affect its relationship with its environment.
Kudla (1980)	Systematic process of determining the firm's goal and objectives for at least 3 years into the future and developing the strategies that will govern acquisition and use of resources to achieve these objectives.
Pearce <i>et al.</i> (1987a)	The process of determining the mission, major objectives, strategies and policies that govern the acquisition and collaboration of resources to achieve organizational aims.

Many scholars see strategy as a long-term, planned and deliberate set of actions. These definitions provide the academic underpinning for the resultant activities performed as part of strategic planning, as depicted by the normative definitions of strategic planning outlined in **Table 2**.

An analysis of the normative definitions presented in Table 2 suggests that a formal strategic plan should:

- (a) consist of written plans;
- (b) cover more than one year of activity;
- (c) have awareness of alternative strategic options;

- (d) encompass shorter plans for major functional areas;
- (e) identify future resource requirements;
- (f) encompass procedures for ongoing monitoring and modification; and
- (g) include environmental scanning data.

Strategic planning formality

It can be argued that a formal strategic planning process is a deliberate means to include factors and techniques in a systematic way to achieve specified tasks. In essence, it involves the establishment of a clear goal and the necessary processes to achieve it. It follows that

a formalized strategic planning process raises the awareness of strategic planning and promotes a systematic approach to its formulation and deployment. We adopted a written strategic plan as a surrogate measure of formality. This approach is appropriate for the consideration of strategic planning in smaller firms and is consistent with the work of Bracker *et al.* (1988).

Some scholars, such as Smith and Hansen (2002), see strategy as more about intent than a written long-term plan. They also see strategy as a wager as 'the firm bets on how it can achieve and maintain a high rate of return'. However, it is our contention that 'bets' are rarely made in isolation and usually take cognisance of previous activities. For example, Ramanujam and Venkatraman (1987) suggest that high performing firms place a significant emphasis on their past performance levels and the reasons for their past failures. This means that the 'annual rain dance' has some benefits as it provides an opportunity to review and reflect on past actions. This also means that the 'bet' is based on the best prediction of the future environment using both qualitative and quantitative data. The danger for many firms arises from an over-reliance on huge quantities of analytical data that often obscure the main challenges.

An analysis of the literature does not provide clarity on the use of formalized strategic planning. Four meta-analyses depict differing results. For example, Boyd (1991) looked at the analysis of 29 previous studies and found that formalized strategic planning is linked to a number of performance measures. This meta-analysis was updated by Capon and Farley (1994) with broadly similar results. Both Schwenk and Shrader (1993) and Miller and Cardinal (1994) found some relationships between formalized strategic planning and overall corporate performance.

More recent studies also paint a mixed picture. Lyles *et al.* (1993), Brews and Hunt (1999) and Perry (2001) found that firms with formal strategic planning outperform firms with less formal approaches. On the other side

of the coin, Walters (1993), McKiernan and Morris (1994) and Simpson (1998a,b) found no significant benefits from formalized planning.

Organizational performance

Strategists and strategic management scholars generally agree that firms that align their competitive strategies with the requirements of their environment outperform firms that fail to achieve such alignment — Venkatraman and Prescott (1990). But what do we mean by performance? Laitinen (2002) suggests that performance 'can be defined as the ability of an object to produce results in a dimension determined a priori, in relation to a target'. He also suggests that a well-organized system of performance measurement may be the single most powerful mechanism at management's disposal to enhance the probability of successful strategy implementation. This suggests that financial results are not the only performance indicator and that other aspects of performance are relevant for the existence and success of an organization (Hillman and Keim, 2001). By implication, this means that non-financial measures are also important. Indeed, Laitinen (2002) states that 'when financial and non-financial measures are incorporated in the same model, managers can survey performance in several areas simultaneously in order to enable efficient strategic decision-making. A balanced performance approach is necessary as reliable financial information on independent firms is very difficult to obtain (Wortman, 1994; Dess and Robinson, 1984). To overcome potential problems in this regard, we adopted the notion of measurement against purpose (Steiner, 1979), using perceptual measures of organizational performance. A similar approach to assessing the level of satisfaction arising from specific factors and actions was adopted by other researchers such as Luo and Park (2001). The literature suggests that responses on performance achievements using this approach are reliable (Nayyar, 1992; Tan and Litschert, 1994).

Methodology

The sample consisted of 702 small and medium sized manufacturing firms throughout the UK. Practical considerations largely guided the choice of the two industrial sectors examined. The aim was to identify industries that were economically important but at the same time populated by large numbers of small and medium sized firms. Furthermore, it was important that the two sectors provided a significant contrast in terms of product maturity, arguably the most important contingency factor (Hofer, 1975). These criteria led us to select the electronics and engineering sectors. Both sectors are economically important and both have a large number of small and medium sized firms. Small and medium sized firms (SMEs) were defined as having fewer than 250 employees. As there are nearly 15 000 electronic/engineering SMEs in the UK (DTI, 2000), it was decided to use a random sampling methodology based on a directory available from a reputable commercial firm.

Data was gathered by means of a survey questionnaire, consisting of questions to ascertain the formality of the strategic planning process, elements of the written plans, levels of emphasis placed on factors influencing strategy and performance. The procedures used to analyse the responses included the determination of the reliability of the instrument. The questionnaire constructs were tested for their ability to yield a significant factor structure. The instrument could be said to have a high degree of reliability when there is a significant association between responses to each of the attributes. In effect, it is 'an indicator of how well the different items measure the same issue' (Litwin, 1995, p. 21). Internal consistency was established using Cronbach's alpha and factor analysis.

To ascertain the difference of emphasis on the various factors influencing strategy and the difficulties faced in deploying strategy, a comparison of the mean scores was carried out between formal and non-formal planning firms and high- and low-performing companies.

Each set of scores is subjected to the non-parametric Wilcoxon test. The Wilcoxon test uses the information about the size of the differences between two pairs, such as the emphasis given to selected attributes of the various factors by high-performing companies and low-performing companies. The rationale behind using a non-parametric test is based on its appropriateness to a data sample based on questions using a Likert-type scale which emphasizes the median rather than the mean.

Responses

Some 194 valid responses were received, producing a response rate of 27%. We tested for non-response bias by using a *t*-test and comparing differences between responses to key questions by early and late respondents. Differences were statistically insignificant. Moreover, we contacted non-respondents to ascertain their reasons for non-response. The key reasons for non-response were company policy not to participate in surveys and a lack of time and/or resources to enable them to respond. The two tests we carried out suggest that non-response is unlikely to have an adverse impact on our findings. **Table 3** outlines the sample demographics.

The extent of formal strategic planning in SMEs

Nearly 6 out of 10 firms in our sample had written strategic plans. This is significantly higher than the incidence of formal planning among SMEs reported by McKiernan and Morris (1994). The increase in the number of SMEs deploying formal strategic planning is in line with the recent evidence from the USA encompassing large organizations as well as SMEs (Shrader *et al.*, 2004; Rigby, 2001). It is also in line with Pearce *et al.*'s (1987b) findings that the incidence of strategic planning among SMEs is increasing as SME Managing Directors increasingly look to strategy in their quest for competitive advantage.

Table 3. Sample demographics

Age of respondent	
39 and under	21.1%
40–49 years	27.3%
50–59 years	38.7%
60 and over	12.9%
Annual turnover	
less than £500 000	9.3%
£500 000–£1 m	12.4%
£1 m–£2 m	17.0%
£2 m–£4 m	22.2%
£4 m–£6 m	14.4%
over £6 m	24.7%
Employees	
1–9	11.3%
10–19	12.4%
20–49	28.9%
50–99	24.2%
100–199	16.0%
200–249	7.2%
Years in operation	
5–10	20.8%
11–20	24.1%
21–30	25.3%
31–40	5.2%
41–50	5.8%
51 years and over	18.8%

Interestingly, 71% of subsidiary firms had written strategic plans compared with only 54% of independently owned firms. A chi-square test indicates an association between firm ownership and the propensity to have a written strategy ($\chi^2 = 3.93$, d.f. = 1, $p < 0.05$). We used a chi-squared test to examine differences in occurrence of written plans and the level of planning formality between the two sectors. The difference between the incidence of planners and non-planners among the fabrication and electronics firms was statistically insignificant ($\chi^2 = 0.4$). Nearly 60% of fabrication firms deployed formal planning, while the proportion among electronics firms was slightly lower than this figure. The difference in the level of planning formality between the two sectors was also statistically insignificant.

Chi-squared tests were also used to statistically examine the differences between the incidence of written plans and levels of planning formality among the small and medium size firms. The difference between the

Table 4. The content of formalized strategic plans

Aspect	% of firms
(a) Covered at least 3 years into the future	85
(b) The specification of objectives and goals	86
(c) Other possible alternative strategies	43
(d) Action plans for the major functional areas of the firm	65
(e) Identified and allocated resources required to support selected strategy	65
(f) Procedures for anticipating or detecting errors in, or failures of the plan and for preventing or correcting them on a continual basis	33
(g) Some attempt to account for factors outside the immediate environment of the firm	47

incidence of written plans was statistically significant ($\chi^2 = 0.03$). Half of the small firms [with less than 20 employees] in the sample employed written plans compared with two-thirds of medium size organizations [over 20 employees]. The incidence of medium and high formality planning (54% and 60%, respectively) was higher in the case of medium sized organizations, while the incidence of low formality planning was lower among this size group (48%). However, these differences were not statistically significant.

The content of formal strategic plans

Table 4 depicts the occurrence of normative content associated with strategic planning. 15% of the plans covered less than 3 years, which is arguably the minimum period of time considered sensible for a strategic plan. Some 14% failed to specify goals/objectives. Furthermore, 35% of the plans failed to identify and allocate the resources necessary to support their selected strategy. A similar proportion of firms failed to develop plans for major functions, hence increasing the likelihood of inconsistency between business and functional strategies. Less than half of the plans identified alternative potential strategies or took cognisance of the external environment. Only one in three plans appeared to

have a control feedback loop facilitating adjustments to the adopted strategy. Overall it appears that most plans did not include vital components of a strategic plan, thus raising questions about the quality of formal strategic planning within our sample.

We can only speculate as to why there is such a gap between the actual content of strategic plans and the activities recommended by the normative literature. First, the lack of differentiation between strategic plans and annual business plans projecting revenue, costs and so on suggests that SMEs operate on an annual time scale or shorter. Second, the lack of resources to develop alternative strategies, scan the external environment and apply strategic control may impact on the activities included. Third, the differences between the content of subsidiary and independent firms' strategic plans suggest that strategy is driven by the holding company. Fourth, differences between the content of SME and large firms' strategic plans can possibly be explained by their levels of resources and longer-term orientation. Fifth, the poor quality of strategic plans deployed by SMEs in this sample suggests that such plans are likely to be a 'paper exercise' rather than fully developed strategic plans. We found no association between firm size and the content of the formalized plans. This suggests that once firms decide to use formal strategic plans, the constituent parts are independent of organization size.

The impact of formal planning on the elimination of potential barriers

We sought to ascertain what obstacles, if any, firms deploying formal strategic planning processes encountered. We compared the incidence of such obstacles with those encountered by non-formal planning firms. Accordingly, we divided responses into two categories: firms deploying a formal strategic planning process (a written strategic plan is used as a surrogate measure for formality) and those that do not have a written strategic plan. A Wilcoxon test was used to ascertain the difference in the extent to which implementation problems are experienced by both categories of firms. The results of the analysis are outlined in **Table 5**.

The results indicate that all eight barriers/problems to the implementation of strategic planning are experienced by both firm types. Only one barrier/problem is statistically significant: *external factors impacted on implementation* ($z = -2.95$ at $p < 0.005$). Overall, it is possible to conclude that formal and non-formal planning firms experience similar implementation problems. These findings are consistent with the findings of Kargar and Blumenthal (1994), who found that firms with formal strategic planning processes experience implementation problems to a broadly similar extent as firms with a non-formal strategic planning process. An analysis of the

Table 5. The extent to which strategy implementation problems were experienced by firms with formal and non-formal strategic plans

	Formal (N = 113)	Non-formal (N = 81)	
	Mean	Mean	Z-statistic
Implementation barriers			
Crises distracted attention from implementation	2.44	2.61	-1.39
Implementation took longer than anticipated	3.43	3.22	-0.74
Employees capabilities were not enough	2.54	2.43	-0.09
Communication was inadequate	2.25	2.26	-0.26
Overall goals of strategy were not well enough understood by staff	2.19	2.10	-0.88
External factors impacted on implementation	3.06	2.61	-2.95*
Co-ordination of implementation not effective enough	2.64	2.69	-0.69
Unanticipated problems arose	2.89	2.93	-0.68

* $p < 0.01$.

findings indicates that the problem of *implementation taking longer than expected* has the highest mean scores in both formal and non-formal planning firms. However, it must be noted that a higher significance rating given to the implementation problems by formal strategic planning firms implies that all the barriers/problems are better prepared for in firms with formal planning than in firms without formal planning. This indicates that formal planning is more likely to enable firms to meet any potential barriers and problems with greater confidence. This finding can be argued to result from the tendency by formal strategic planning firms to be more outward looking, or external environment orientation. It is suggested that many of the implementation barriers may already be anticipated in the formulation of the strategic plan. However, the results do not provide any information on the degree of emphasis on the strategic planning characteristics by formal or non-formal planning firms. The next section examines this aspect. A further analysis was carried out to ascertain if a similar perceived emphasis on the characteristics of strategic planning exists in firms with formal and non-formal strategic planning processes. A Wilcoxon test was used to ascertain the difference in the extent to which implementation problems are experienced by both formal and non-formal planning firms, as shown in **Table 6**.

The analysis indicates that the emphasis on all the characteristics of strategic planning and their attributes by firms deploying formal planning is higher than the degree of emphasis given by firms relying on non-formal strategic planning processes. The differences in emphasis in the majority of attributes are not statistically significant, with the exception of a number of characteristics which are outlined as follows:

- (a) The external orientation attribute *competitive position and trends* is statistically significant ($z = -2.43$, $p < 0.005$). It could be argued that formal strategic planning ensures that the competitive position and trends are stressed to a greater degree than in non-formal planning firms.
- (b) The resources for strategy attribute *availability of relevant and adequate information* ($z = -2.53$, $p < 0.005$) is statistically significant. The availability of relevant information is central to the strategic planning process. Therefore, the greater emphasis by formal planning process firms compared to non-formal planning firms is no surprise.
- (c) All the attributes of the *use of analytical techniques* characteristic are emphasized to a higher degree by formal planning firms than non-formal planning firms. The difference of emphasis is statistically significant in respect of each attribute. This finding can be explained by the tendency of firms with a written strategic plan to depend more on analytical assessment than on 'instinct' or 'gut feeling'.
- (d) The staff creativity attribute *generating new ideas* is statistically significant ($z = -2.04$, $p < 0.05$). It could be argued that formal planning process firms are more aware of the need for staff creativity in order to achieve greater competitive advantage.
- (e) The control mechanism attributes *strategy as a monitoring mechanism* ($z = 2.74$, $p < 0.05$) and as a *mechanism for revising strategy* ($z = -2.9$, $p < 0.005$) are statistically significant. This indicates the greater degree of emphasis given by formal planning firms in the review of activities and in the monitoring processes used.

Performance

We performed a multivariate analysis of variance (MANOVA) to investigate any differences in performance between formal and non-formal strategic planning firms. Preliminary analysis showed that key assumptions were not critically violated. We used four dependent variables in the analysis. These were: financial performance, market performance, effectiveness, and learning and innovation. As before, two different sets of independent variables were used. In the first analysis, we categorized

Table 6. Emphasis on strategic planning characteristics by firms with formal and non-formal strategies

Strategic planning characteristics	Formal (N = 113)	Non-formal (N = 81)	
	Mean	Mean	Z score
<i>Internal capability</i>			
General managerial ability	3.47	3.16	-1.70
Financial strengths/weaknesses	3.44	3.33	-1.03
Human resources strengths/weaknesses	3.52	3.31	-1.44
Past performance	3.77	3.73	-0.09
Current products strengths/weaknesses	4.14	4.03	-0.08
<i>External orientation</i>			
General economic/business conditions	3.84	3.57	-1.15
Technological trends	4.02	3.64	-1.68
Competitive position and trends	4.10	3.61	-2.43**
<i>Departmental co-operation</i>			
Understanding of all functions by employees	3.70	3.42	-1.02
Cross-functional support	3.80	3.72	-0.46
Functional co-ordination	3.69	3.68	-0.67
Efforts to achieve functional agreement	3.65	3.64	-0.40
<i>Resources/employee</i>			
Ad hoc working groups	2.77	2.28	-1.95
Relevant/adequate information	3.76	3.41	-2.53*
Involvement of consultants	2.15	1.75	-1.49
Involvement of line managers	4.12	3.84	-1.64
<i>Use of analytical techniques</i>			
Use of analytical techniques	3.00	2.09	-4.36*
Ability to use techniques	3.00	2.27	-3.47*
Willing to seek outside assistance	2.94	2.32	-3.42*
<i>Staff creativity</i>			
Coping with surprises/crises	3.52	3.48	-0.10
Adapting to unanticipated changes	3.79	3.66	-0.92
Identify new opportunities	4.05	4.02	-0.92
Identifying key problem areas	3.70	3.44	-1.76
Generating new ideas	3.88	3.67	-2.04**
Generating/evaluating strategy alternatives	3.55	3.46	-0.09
Anticipating barriers to implementation	3.43	3.25	-0.78
<i>Strategy as a control mechanism</i>			
Value as a control mechanism	3.37	3.01	-1.76
A monitoring control technique	3.31	2.82	-2.74**
Mechanism for revising strategy	3.45	2.89	-2.99*
Communicate management thinking downwards	3.64	3.43	-0.84
Communicate staff thinking up the line	3.42	3.27	-0.38
A mechanism for integrating functions	3.07	2.91	-0.65

* $p < 0.005$; ** $p < 0.05$.

firms into formal and non-formal strategic planning firms and used this as the independent variable. Firms with a written strategic plan performed better than firms without one across all dimensions of performance. However, the difference between the two groups of organizations on the combined dependent variables was statistically insignificant ($F(4,185) = 0.87$, $p = 0.483$, Wilks' lambda = 0.982, partial eta squared = 0.018).

Conclusions

This research compared firms deploying formal (written) strategic plans with firms that do not have written formal strategic plans. The results indicate that the degree of formal strategic planning in SMEs is higher than in previous studies. Interestingly, subsidiary firms are more likely to have formal plans compared with independently owned firms.

However, the analysis leads to some serious concerns regarding the quality of strategic planning and largely to point to a paper exercise. For example, we found that 15% of firms with formal strategic plans covered less than 3 years, which indicates a short-term operational orientation rather than a longer-term strategic one. Some 14% failed to specify goals and objectives. Furthermore, over a third of formal planning firms did not make reference to the resources necessary for the deployment of their strategic plan. A similar proportion of firms did not make reference to functional plans to support the strategic plan. Less than half of the plans identified alternative potential strategies or took cognisance of the external environment. Only one in three plans appeared to have a control feedback loop facilitating adjustments to the adopted strategy. The lack of such vital components led us to question the seriousness of strategic planning in manufacturing SMEs.

Nevertheless, we considered the formality of strategic planning as an influence on the reduction or elimination of the barriers to strategy implementation. The analysis indicates that there are no significant differences between the barriers to implementation in formal or non-formal planning firms. The analysis indicates that firms with formal strategic plans place a greater emphasis on all the attributes compared with firms with non-formal strategic plans. However, only a few of the differences in emphasis are statistically significant. Given our concerns regarding the seriousness of strategic planning in a number of SMEs, these findings were not surprising. We also found that while all the attributes of strategy are given higher emphasis by formal planning firms compared with non-formal planning firms, only a limited number of attributes in the five characteristics examined are statistically significant. Accordingly, we can conclude that there is little difference on the degree of emphasis given to the characteristics of strategic planning by formal and non-formal strategic planning firms.

This finding suggests that SMEs can discount strategic planning formality as a significant

factor in their search for comparative advantage and concentrate on 'other' contingency factors such as the entrepreneurial style of management or the personal characteristics of the key players. The findings also mean that non-formal planning firms need not feel that their strategic planning approach suffers from any distinct disadvantages compared with the approach of formal planning firms. This finding, if repeated in other studies, has profound implications for policy-makers and small business advisers and dispels the suggestions that there are significant differences between both types of firms.

The directions for future research can be grouped into two main categories: industrial sector aspects and further in-depth qualitative and quantitative work. Firstly, the sample was restricted to two different sector types: mature products and stable technology, products with short life cycles and changing technology, respectively. Clearly the analysis applies primarily to these sectors. In addition, the study did not attempt to examine the differences at the more detailed sub-sectoral level. In other words, it assumed that SIC 37 and 38 were internally homogeneous. This assumption should be tested in future studies. Secondly, future research should consider a more in-depth approach. It would have been beneficial to augment the quantitative data with qualitative in-depth case studies or an ethnographic approach. This study focused on the managerial processes used in the formulation and deployment of the strategic planning process and does not focus on entrepreneurial styles of management or the personal characteristics of the owners and managers. Arguably the individual entrepreneurial management style could potentially influence the culture, leadership and strategic planning processes of an SME.

Biographical notes

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